

BILL NO. R-97-09-10

RESOLUTION R - 67-97

**RESOLUTION OF THE COMMON COUNCIL
OF THE CITY OF FORT WAYNE
REGARDING REVENUE SOURCES FOR BUDGET MATTERS**

WHEREAS, Common Council has an interest in and desires to keep real estate taxes imposed on Fort Wayne residents as low as possible for 1998; and

WHEREAS, a one-tenth of one percent (.1%) increase in the County Economic Development Income Tax ("CEDIT") would result in a reduction in the increase in real estate taxes; and

WHEREAS, an increase could be imposed to workers July 1, 1998, but not received by the City until 1999; and

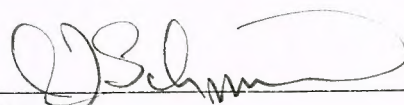
WHEREAS, City Council desires to pay the 1998 debt service on the Safety Bond and the Park Bond from the CEDIT fund, instead of the Debt Service Fund, to reduce the 1998 property tax rate by approximately three percent (3%); and

WHEREAS, an appropriation for such debt service is included in the proposed 1998 CEDIT budget; and

WHEREAS, certain 1998 planned CEDIT capital projects would be financed by a bond issue.

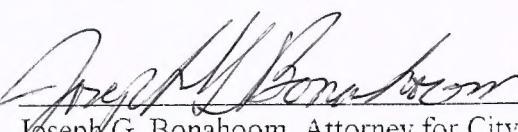
NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF FORT WAYNE, INDIANA:

It is the intent of the Fort Wayne Common Council to adopt a minimum of a one tenth of one percent (.1%) increase in CEDIT after January 1, 1998, and before March 31, 1998, by appropriate Ordinance as required by Indiana law.



Council Member

APPROVED AS TO FORM AND LEGALITY



Joseph G. Bonahoom, Attorney for City Council

Read the first time in full and on motion by Detmold,
and duly adopted, read the second time by title and referred to the Committee on
Finance, (and the City Plan Commission for recommendation)
and Public Hearing to be held after due legal notice, at the Common Council Conference
Room 128, City-County Building, Fort Wayne, Indiana, on _____,
the _____ day of _____, 19____, at
o'clock _____ M., E.S.T.

DATED: 9-9-97

Sandra E. Kennedy
SANDRA E. KENNEDY, CITY CLERK

Read the third time in full and on motion by Detmold,
and duly adopted, placed on its passage. PASSED lost
by the following vote:

	AYES	NAYS	ABSTAINED	ABSENT
TOTAL VOTES	<u>8</u>	<u>1</u>		
BENDER	<u>✓</u>			
CRAWFORD	<u>✓</u>			
EDMONDS	<u>✓</u>			
HALL	<u>✓</u>			
HAYHURST	<u>✓</u>			
HENRY	<u>✓</u>			
LUNSEY	<u>✓</u>			
RAVINE	<u>✓</u>			
SCHMIDT	<u>✓</u>	<u>✓</u>		

DATED: 9-18-97

Sandra E. Kennedy
SANDRA E. KENNEDY, CITY CLERK

Passed and adopted by the Common Council of the City of Fort Wayne, Indiana,
as (ANNEXATION) _____ (APPROPRIATION) _____ (GENERAL) _____ (SPECIAL) _____
(ZONING) _____ ORDINANCE _____ RESOLUTION NO. 09-67-97
on the 18th day of September, 1997

ATTEST: Sandra E. Kennedy SEAL Thomas P. Helme
SANDRA E. KENNEDY, CITY CLERK PRESIDING OFFICER

Presented by me to the Mayor of the City of Fort Wayne, Indiana, on the
22nd day of September, 1997,
at the hour of _____ o'clock _____ M., E.S.T.
Sandra E. Kennedy
SANDRA E. KENNEDY, CITY CLERK

Approved and signed by me this 26th day
of September, 1997, at the hour of 4:15
o'clock _____ M., E.S.T.

Paul Helmke
PAUL HELMKE, MAYOR



The City of Fort Wayne

Paul Helmke, Mayor

February 23, 1998

Councilman Tom Henry and
Members of the Common Council
One Main Street
Fort Wayne, IN 46802

Dear Councilman Henry and Members of the Common Council:

At your news conference on February 13, 1998, you asked the City Administration to propose plans to meet the challenges I discussed in my State of the City address and make our community more competitive in the area of economic development. We have prepared a draft plan for CEDIT that we believe can be a framework to guide our discussions. Obviously details may need to be fleshed out, but the attached City of Fort Wayne Proposed CEDIT Program provides the basic elements of our proposal.

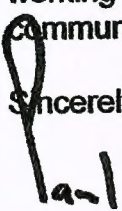
There are three primary components to the plan:

- 1) **Economic Development.** The plan provides enhanced funding for economic development for:
 - A) Basic infrastructure
 - B) Industrial park development
 - C) Brownfield redevelopment
 - D) Local incentive programs
- 2) **Arterial/Collector Roads.** Any plan for economic development in our community must address the need to improve our major transportation routes. The initial implementation of CEDIT in 1993 funded a \$12.5 million bond to begin meeting this need, and our new plan provides for the continuation and expansion of that effort.
- 3) **Neighborhood Capital Improvements.** While economic development and broad infrastructure needs are important, we also must address neighborhood development. Our current program of providing \$350,000 for each of the Council districts and for the at-large Council Members has been very successful. To continue and expand on this success, the third component of our plan provides

for a \$100,000 increase each year to each of the districts and at-large members for a new annual total of \$450,000 for each district and the at-large members.

The attached plan provides more detail on our CEDIT proposal, and I look forward to working with the Council as we explore ways of addressing this critical issue facing our community.

Sincerely,



Paul Helmke
Mayor

PH/GP/gb

CITY OF FORT WAYNE PROPOSED CEDIT PROGRAM

The following provides a general program of activities and expenditures to be undertaken by the City of Fort Wayne over the next several years with revenues that would be derived from an increase in the local Economic Development Income Tax (CEDIT) rate from its current level of 0.2% to 0.4%. Each 0.1% on the CEDIT rate currently results in approximately \$3.6 million in revenue annually being distributed to the City of Fort Wayne and approximately \$1.6 million to Allen County government.

PROPERTY TAX REDUCTION

Last September, during passage of the 1998 Civil City Budget and adoption of Resolution No. R-67-97, the Fort Wayne City Council made a commitment to increase the CEDIT rate to at least 0.3% during the first quarter of 1998, with the additional revenue being directed to actions that would directly reduce City property taxes. An explanation of the details involved in implementing the provisions of this action are discussed in an attachment to this document.

ENHANCED ECONOMIC DEVELOPMENT EFFORTS

FINANCING BASIC INFRASTRUCTURE IMPROVEMENTS TO SUPPORT DEVELOPMENT ACTIVITIES

It has been demonstrated, both from a variety of studies examining the economic development potential of the Fort Wayne/Allen County community and from actual experience in working with industrial site selection professionals, that our community has certain basic deficiencies in the provision of highway, sanitary sewer collection and water distribution facilities. Perhaps the most visible and frequently discussed of the geographic areas where these deficiencies are a roadblock to development is that surrounding the Fort Wayne International Airport. The sewer, water and highway improvement needs for this area have been well documented in the *Memorandum of Understanding to Fund Infrastructure in Southwest Allen County*. While much has been accomplished over the past year toward implementing the facilities proposed in the *Memorandum*, several key projects remain yet to be financed.

The staff also suggests that two other areas of our community, the area between New Haven and the Casad Depot and the Cook Road/Lima Road/Huguenard Road area, have strong development potential. Similar to the area surrounding the airport, these two areas have certain underlying infrastructure needs which must be addressed if their full potential is to be reached.

The City of Fort Wayne would use approximately \$200,000 per year beginning in 1999 to address infrastructure needs in the airport and Cook Road areas. A number of water main

projects were suggested in the *Memorandum of Understanding* for financing through tax increment revenues from the Baer Field Economic Development Area. CEDIT revenues could be used to finance these improvements in a more aggressive manner. Tax increment revenues, to the extent they become available, could be used to reimburse the Economic Development Income Tax Fund in future years. Secondly, it may be necessary to utilize CEDIT revenues to finance certain strategic road, sewer and water improvements in the Cook Road area.. Allen County has indicated a serious interest in continuing to make pro-active infrastructure improvements in both the Fort Wayne International Airport and the Cook Road/Lima Road/Huguenard Road areas.

GAINING CONTROL OF KEY INDUSTRIAL SITES

The community should obtain control, preferably through long-term options, of several parcels of real estate that have potential for development should the necessary basic infrastructure be constructed. Such control is necessary so that prospects can have a reasonable degree of certainty regarding site availability and cost early in the search process.

The City of Fort Wayne would draw from the assets of the Summit Development Corporation (former known as the Kekionga Development Corporation) to fund purchase of options. These options could either be held by this corporation or by another organization either already in existence or one jointly created for this purpose. The Summit Development Corporation currently has a cash balance of approximately \$130,000 with no outstanding commitments.

USING A PUBLIC/PRIVATE PARTNERSHIP MODEL TO CONSTRUCT NEW INDUSTRIAL PARKS

Several recent assessments regarding the availability of sites within an industrial park setting have indicated that this community has significantly depleted its supply and few developments are underway to replenish the inventory. More industrial parks need to be developed and doing so through a public/private partnership model offers the most likely potential for success. The public sector would front a portion of the sewer, water, road and drainage expense, ultimately receiving a full or partial return on its investment upon the sale of lots. The public portion of the proceeds would, in turn, be used to finance infrastructure needs in the next section of that industrial park.

The Fort Wayne Redevelopment Commission has limited tax incremental financing revenues being generated from the Summit Park Economic Development Area (the current balance in this fund is approximately \$350,000). The Summit Park TIF revenues may be used only within a limited geographic area in proximity to the Park. The Redevelopment Commission's District Capital Fund could be supplemented with an annual allocation of City of Fort Wayne CEDIT revenues of approximately \$300,000. This use of CEDIT dollars would be similar in nature to the allocation now being provided annually to the Board of Park Commissioners Cumulative Building and Sinking Fund. For industrial parks located in the unincorporated portions of Allen County, the

County Redevelopment Commission has the authority to undertake similar partnerships with private developers.

BROWNFIELD REDEVELOPMENT

The City of Fort Wayne would spend approximately \$200,000 of new CEDIT revenue on brownfield redevelopment efforts. Of this amount approximately \$60,000 annually would be used to retire a \$500,000 loan from the state Environmental Remediation Revolving Loan Fund. Dollars available over and above the amount needed to retire this loan will be used to finance environmental site assessments on selected properties that could potentially be returned to productive use. Often it is the unknown potential environmental liability that greatly reduces the likelihood that these properties will attract development interest. The remaining dollars will be allocated to an incentive program that partners with the private sector to finance the cleanup of properties with remediation needs on a level reasonably consistent with their respective development potential.

CREATING A COMPETITIVE LOCAL INCENTIVE PROGRAM

It has become increasingly apparent that the Fort Wayne/Allen County community is no longer considered strongly competitive when negotiating economic development "deals" with prospective facility locators. The reasons for this are both internal and external. Certain resources traditionally available to the City of Fort Wayne are either not currently, or in other circumstances may never again be, available for use in enhancing our local competitive position. Secondly, the State of Indiana's involvement in most projects is no longer at a level competitive with those of our surrounding state governments. The Indiana Department of Commerce officials are consistently taking the position that "economic development is a local responsibility". The State expects local governments to put incentives and inducements (tax abatement, passing and using CEDIT revenues, and using tax incremental financing to the fullest extent for infrastructure financing) in place prior to the state making any financial commitments.

In order to enhance the potential to retain and attract those projects which community leaders deem to be important for maintaining our economic vitality, the staff recommends creating and capitalizing one or a series of flexible local economic development funds to finance project-specific incentive packages. It is suggested that this fund/s have the maximum possible flexibility regarding their use so that we can be as responsive as possible to the varying requirements of each individual project.

Generally the types of incentives that may be offered would include job training assistance, land cost write-downs, grants for the development of brownfield sites, and on-site infrastructure improvements. All of these examples have been utilized by other communities with whom we compete for projects. All decisions on the level of incentive funding for a project will be performance based. A development agreement with the company to receive the assistance may be required and could include "clawback" provisions if pre-established job creation and company investment goals are not met. A community cost/benefit analysis, based on proven techniques for measuring project to community return on investment will guide the incentive decision-making process.

The City of Fort Wayne would allocate \$500,000 in CEDIT revenues annually in 1999 and 2000 to capitalize its Economic Development Fund. Thereafter, the Fund would be recapitalized with CEDIT revenues in the year after monies were expended for a specific project. This recapitalization would not exceed \$500,000 in a given year, unless an extraordinary project opportunity were to materialize. It would be possible for all or a portion of the monies in each unit's (City, County, other governmental jurisdictions and private resources) fund to be transferred to an existing or newly created organization either prior to making an individual commitment to prospects or on an as needed basis (where appropriate to combine resources).

IMPROVEMENTS TO THE CITY'S ARTERIAL/COLLECTOR ROAD SYSTEM

In 1991 the City of Fort Wayne undertook an extensive assessment of the condition of its street system. At that time it was estimated that the arterial and collector roads in the system exhibited resurfacing and reconstruction needs costing approximately \$41.8 million. Of that amount, \$30.5 million of needs had no identified source of funding. This situation, along with the City's inability, at that time to finance the 20% match of available federal highway funds, was a prime factor in the enactment of CEDIT in 1993 and the issuance of the \$12.5 million City of Fort Wayne Economic Development Income Tax Revenue Bonds of 1993.

Certainly many improvements have been made to the highway system since 1993. Yet funding has not been available to meet nearly all of the needs on the arterials and collectors identified back in 1991. In addition, over the past seven years several major street segments have shifted from an acceptable rating to the "needs resurfacing" condition. Obviously, this is a continuous process that will never end. We are today, however, witnessing the affects of many years of under-investing in the system during the seventies and eighties. Unlike operating functions, capital needs unmet one year do not disappear but simply accumulate. The Select Committee on City/County Finances, in its 1989 report to the community, raised serious concerns about this long-term under-investment:

The proportion of spending by both the City and County on budgeted capital items has substantially decreased. This has to be considered a "serious" warning flag for the future. Postponing projects to meet current service needs can be a particularly dangerous path to chart. Insufficient capital spending will lead to a deterioration of the capital stock.

To address the current condition of the City's highway system, we suggest that approximately \$2,000,000 of new CEDIT revenue be allocated to supplement the Arterial/Collector Street Resurfacing Program. It is further suggested that a new CEDIT revenue bond be issued in early 1999 to finance approximately \$10.5 million of road improvements. Projects financed by this bond issue would be undertaken over a three

year period beginning in 1999. Annual debt service on such a bond, assuming a seven year term, would be approximately \$2,000,000 annually. As an alternative to the bond issue, the City could use the \$2,000,000 per year to fund road improvements on a "pay-as-you-go" basis. The decision on which method of financing would be based on an assessment of the urgency of need for the projects to be undertaken.

NEIGHBORHOOD CAPITAL IMPROVEMENTS

In addition to the deteriorating condition of the major roads and streets in Fort Wayne, by the late 1980's it was also becoming very apparent that smaller-scale neighborhood capital facilities which had historically been the shared responsibility of the City and adjacent property owners were also in serious need of major reinvestment. The first significant effort undertaken to address these needs was financed through the Neighborhood Improvement Bond Issues of 1986. The two phases issue raised \$8.0 million for small-scale projects. These property tax supported bonds were retired in 1997.

A more aggressive effort to meet the growing infrastructure demands of Fort Wayne neighborhoods was launched with the initial adoption of the County Option Income Tax (COIT) in 1989. Starting in 1990, \$350,000 of COIT revenue per City Council district was annually set aside. When CEDIT was initially adopted in 1993 this burden was shifted to the Economic Development Income Tax Fund and an additional \$350,000 in total annually was set aside for the at-large council members. Today's allocation of \$350,000 per district, after adjusting for inflation, now provides \$286,085 worth of improvements in 1990 dollars..

Given the consistent, if not growing demand, for improvements by the neighborhoods, given the additional capital demands due to the City's geographic growth through annexation, and in consideration of the depreciating impact of inflation; it is suggested the allocation per district (including the at-large allocation) be increased to \$450,000 annually beginning in 1999 in connection with an increase of the CEDIT rate to 0.4%.

**ATTACHMENT A - IMPLEMENTING CITY COUNCIL
RESOLUTION NO. R-67-97**

The City of Fort Wayne currently has two outstanding property tax-supported general obligation bond issues: the Public Safety Bonds of 1994 and the Park District Bonds of 1994. Debt service obligations on these issues in 1998 will be \$488,090 and \$1,105,976 respectively. In order to reduce an anticipated property tax rate increase in 1998, and to continue the City's efforts to diversify its revenue sources and tax burden, the plan referenced in R-67-97 envisions using monies from the cash balance in the City's Economic Development Income Tax Fund to meet these debt obligations in 1998 rather than utilizing property tax dollars for that purpose. Toward that end, the Council reduced the 1998 property tax levy for the Debt Service Fund to \$0 and the City subsequently implemented this decision during the December Tax Hearing before the State Board of Tax Commissioners. This action, coupled with other factors considered at the Tax Hearing (including City Council's passage of Resolution No. R-01-98 authorizing a reduction of the General Fund unappropriated cash balance) resulted in holding the City's property tax increase needed to support the 1998 budget to 1.78% over the 1997 rate.

The monies from the Economic Development Income Tax Fund which are to be used to make the above-referenced debt service payments had originally been earmarked to undertake improvements to the City's arterial and collector road system. During consideration of R-67-97 the Administration had suggested doing a short-term Economic Development Income Tax revenue bond to finance road improvements in 1998 in lieu of using the CEDIT cash balance being diverted to debt service payments. This proposed revenue bond was to be retired in 1999 and 2000. The specific road projects to be included in this program would be selected from the list included in the Reimbursement Resolution (R-87-97) approved by the Council on December 16, 1997.

It now appears that the City may be able to avoid the issuance and interest expenses of such a bond issue by internally borrowing the dollars needed from the Motor Vehicle Highway (MVH) Fund. The MVH Fund would be reimbursed for the cost of these selected road improvements (estimated to be between \$1,200,000 and \$1,500,000) partially in 1999 and partially in 2000 from the additional funds generated by an increase in the CEDIT rate as proposed in R-67-97.

Revenue from an 0.1% increase in the CEDIT rate would first be available to the City in 1999. In addition to the revenue needed to make ongoing debt service payments on the Public Safety Bonds of 1994 and the Park District Bonds of 1994, as well as to reimburse the MVH Fund in 1999 and 2000 as described in the previous paragraph, it is anticipated that CEDIT funds would be used to meet the capital lease obligations to the Fort Wayne Municipal Building Corporation (\$511,330 in 1999 and \$1,490,330 in 2000). CEDIT revenue available from an 0.1% increase in the rate would thus permit the City to keep these capital lease obligations off the property tax levy.

CITY OF FORT WAYNE

SUMMARY OF PROPOSED USES OF NEW CREDIT REVENUE IF RATE IS INCREASED TO 0.4%

	1999	2000
ECONOMIC DEVELOPMENT		
BASIC INFRASTRUCTURE	\$ 200,000	\$ 200,000
INDUSTRIAL PARK DEVELOPMENT	\$ 300,000	\$ 300,000
BROWNFIELD REDEVELOPMENT	\$ 200,000	\$ 200,000
LOCAL INCENTIVE PROGRAM	\$ 500,000	\$ 500,000
ARTERIAL/COLLECTOR ROADS	\$ 1,030,000	\$ 2,060,000
NEIGHBORHOOD CAPITAL IMPROVEMENTS	\$ 700,000	\$ 700,000
TOTAL	\$ 2,930,000	\$ 3,960,000

BILL NO. R-97-09-10

REPORT OF THE COMMITTEE ON FINANCE

DONALD J. SCHMIDT - JOHN N. CRAWFORD - CO-CHAIR
ALL COUNCIL MEMBERS

WE, YOUR COMMITTEE ON FINANCE TO WHOM WAS
REFERRED AN ~~(ORDINANCE)~~ (RESOLUTION) of the Common Council
of the City of Fort Wayne regarding revenue sources for budget matters

HAVE HAD SAID ~~(ORDINANCE)~~ (RESOLUTION) UNDER CONSIDERATION
AND BEG LEAVE TO REPORT BACK TO THE COMMON COUNCIL THAT SAID
~~(ORDINANCE)~~ (RESOLUTION)

DO PASS

DO NOT PASS

ABSTAIN

NO REC

Thomas Hayhurst
Walter D. B. C.
William J. B. C.
John E. C. C.
Lelee J. C. C.
James W. C. C.
Wendell C. C.
Arthur R. Edmond

DATED: 9-18-97

Sandra E. Kennedy
City Clerk